quarterly report

# Q1 2013

belgacom

## Key figures

**Note that to maintain a correct comparison base, and where applicable, 2012 figures published in this report have been restated following the revision of IAS 19 (IAS 19R) on Employee Benefits and more specifically on post-employment benefits. For more information see page 9.**

| | 1st Quarter | |
|---|---|---|
| **Income Statement (EUR million)** | **2012 Restated** | **2013** |
| Total income | 1,588 | 1,586 |
| EBITDA (1) | 470 | 441 |
| Depreciation and amortization | -181 | -192 |
| Operating income (EBIT) | 289 | 250 |
| Net finance costs | -22 | -20 |
| Income before taxes | 267 | 229 |
| Tax expense | -65 | -53 |
| Non-controlling interests | 3 | 5 |
| Net income (Group share) | 199 | 171 |
| **Cash flows and Capital Expenditures (EUR million)** | **2012** | **2013** |
| Capital expenditure | -186 | -193 |
| Cash flows from operating activities | 386 | 271 |
| Cash paid for acquisitions of intangible assets and property, plant and equipment | -186 | -193 |
| Cash flows used in other investing activities | -21 | 11 |
| **Free cash flow (2)** | **179** | **89** |
| Net cash provided by financing activities | 16 | 73 |
| **Net increase of cash and cash equivalents** | **195** | **162** |
| **Balance sheet (EUR million) - As of 31 March** | **2012 Restated** | **2013** |
| Balance sheet total | 8,557 | 8,505 |
| Non-current assets | 6,224 | 6,173 |
| Investments, cash and cash equivalents | 536 | 451 |
| Shareholders' equity | 3,207 | 3,058 |
| Non-controlling interests | 227 | 217 |
| Liabilities for pensions, other post-employment benefits and termination benefits | 553 | 548 |
| Net financial position | -1,296 | -1,506 |
| **Data per share** | **2012 Restated** | **2013** |
| Basic earnings per share before non-recurring items (EUR) | 0.63 | 0.54 |
| Earnings per share (EUR) (3) | 0.62 | 0.54 |
| Weighted average number of outstanding shares | 317,704,642 | 318,484,649 |
| **Data on employees** | **2012 Restated** | **2013** |
| Number of employees (full-time equivalents) | 15,926 | 15,790 |
| Average number of employees over the period | 15,952 | 15,778 |
| Total income per employee (EUR) | 99,546 | 100,496 |
| EBITDA (1) per employee (EUR) | 29,460 | 27,961 |
| **Ratios (before non-recurring items)** | **2012 Restated** | **2013** |
| Return on Equity | 6.9% | 5.6% |
| Gross margin | 61.3% | 59.8% |

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) For 2012 and 2013 basic and diluted earnings per share are equivalent.

The Belgacom Management Committee declares that to the best of its knowledge, the condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, financial position and results of Belgacom and of the entities included in the consolidation. The financial report gives an accurate overview of the information that needs to be disclosed. The Belgacom Management Committee is represented by Didier Bellens, President and CEO, Dominique Leroy, Executive Vice-President Consumer, Bruno Chauvat, Executive Vice-President Strategy and Content, Bart Van Den Meersche, Executive Vice-President Enterprise, Ray Stewart, Executive Vice-President Finance and CFO, Geert Standaert, Executive Vice-President Service Delivery Engine and Michel Georgis, Executive Vice-President Human Resources.

*Brussels, 3 May 2013 - 7:00 (CET)*
*Regulated Information as defined in the Royal Decree of 14 November 2007*

## Highlights – Q1 2013

- Results in line with expectations, full-year guidance reiterated
- Convergence strategy and network quality key assets in challenging market
- Encouraging trend change in Mobile: Postpaid back to growth

- First quarter 2013 closed with stable **Group revenue of EUR 1,586 million**, i.e. -0.1% year-over-year. The regulatory (-1.5%) effects aside, the Group revenue was up 1.4% from the previous year driven by strong revenue growth from BICS and a building sale as part of the ongoing network simplification project. Both customer segments, however, were impacted by the increased pressure on Mobile revenue, only partially offset by growth drivers such as TV and ICT.

- Belgacom reports for the first quarter 2013 a **Group EBITDA of EUR 441 million**, or 6.1% lower than for the same period of 2012. Regulatory measures (-3.2%) excluded, Belgacom's Group EBITDA was down 2.9% mainly driven by increased pressure on Direct margin and higher HR expenses, partially offset by the containment of non-HR expenses.

- In the first quarter of 2013, Belgacom **Group capex totaled EUR 193 million**, including higher investments to further raise speeds of both its Mobile and Fixed network, and in IT and network simplification projects.

- Belgacom generated **EUR 89 million in Free Cash Flow** in the first quarter 2013, impacted by higher income tax payments, lower EBITDA, higher cash paid for capital expenditure, and higher needs in terms of core working capital.

- In the first quarter of 2013 Belgacom further grew its customer base for TV, Internet and Packs. Over the quarter, Mobile showed an encouraging improvement, with Postpaid customer net adds turning back to growth.
  - \+ 26,000[1] Belgacom TV subscriptions, increasing the total TV customer base to 1,412,000
  - \+ 10,000 Fixed Internet lines, with a total Internet customer base of 1,647,000
  - \- 52,000 Mobile cards (+61,000 postpaid, -113,000 prepaid); total of 5,364,000[2] Mobile cards
  - \+ 22,000 multi-play Packs, with a total of 1,259,000 Packs
  - \- 44,000 Fixed Voice lines, with a total Fixed Voice customer base of 3,041,000

### Comment by the CEO

*In a rapidly changing mobile market we built on Belgacom's key assets: convergence and network quality. I'm therefore pleased to announce that we ended the first quarter 2013 with encouraging operational results from our mobile business. We have put great effort into repositioning our mobile offer since the implementation of the new telecom law in October 2012 which is pushing mobile volatility. Our mobile repricing in December 2012, our retention actions and the rebuilding of our image as best mobile network provider clearly showed their benefit, turning our net postpaid customer growth back to positive. Our convergence approach in particular once again demonstrated its power with the increasing success of our 'mobile-in-Pack" offers.*
*With the promising achievements so far, we are confident that our simplified mobile pricing plans recently launched on 1 April 2013, our refocus on Prepaid and our attractive promotional campaigns, will further strengthen Belgacom's position in the Belgian mobile market.*

*Didier Bellens, CEO Belgacom*

[1] Corresponds to total number of set-top boxes: 14,000 new households and 12,000 second-stream users
[2] Including Voice and Data mobile cards sold through CBU, EBU, Tango, MVNO and SDE&W segments

## Analyst conference call

Belgacom will host a conference call for institutional investors and analysts on Friday 3 May 2013.
Time: 02:00pm Brussels – 01:00pm London – 08:00am New York

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## Financial report

# Belgacom Group

- **Stable first-quarter 2013 Group revenue in challenging operating environment**
- **Strong BICS revenue and sale of technical building offset revenue pressure in customer segments**
- **EBITDA impacted by regulation, Mobile pressure and wage indexation; partially offset by cost containment**
- **First-quarter Free Cash Flow of EUR 89 million**

*Quarterly financials as of page 18*

### Revenue

| (EUR million) | 1st Quarter 2012 | 2013 | % Change |
|---|---|---|---|
| Consumer Business Unit | 577 | 553 | -4.2% |
| Enterprise Business Unit | 579 | 554 | -4.4% |
| Service Delivery Engine & Wholesale | 78 | 75 | -3.0% |
| Staff & Support | 9 | 18 | 109.0% |
| International Carrier Services | 382 | 417 | 9.1% |
| Inter-segment eliminations | -37 | -31 | -16.1% |
| **Total** | **1,588** | **1,586** | **-0.1%** |

The Belgacom Group closed the ***first quarter of 2013*** with **stable revenue** of EUR 1,586 million, i.e. -0.1% compared to the first quarter of 2012. This includes the impact from regulatory measures[1], reducing the first quarter revenue by EUR 24 million (-1.5%). **Regulatory effects aside, the Group revenue was up 1.4% from the previous year** driven by the combination of:

- A **strong revenue contribution from BICS**, growing its revenue by EUR 35 million or 9.1% year-over-year, driven by higher Voice volumes combined with an improved destination mix, and strong revenue growth from Mobile data.
- A higher revenue in Staff & Support as a result of a EUR 11 million **capital gain** realized on the sale of a technical building as part of Belgacom's ongoing network simplification project.
- Lower revenue from the **Consumer segment, ex-regulation decreasing 3.1%** year-on-year mainly driven by the pressure on Mobile voice revenues, the continued Fixed voice revenue erosion and to some extent by the sale of some The Phone House stores[2], in part offset by the continued support from convergent offers including TV and Fixed Data.
- A **1.5% revenue erosion in the Business segment, ex-regulation**. In the context of an unfavorable economy EBU increased its ICT revenue by 4.2%, partially offsetting the elevated pressure on Mobile revenues due to the increased volatility on the business market.

[1] Combined impact of regulatory reduction of: Mobile Termination Rates (and flow-through to fixed-to-mobile rates), voice and data roaming rates

[2] Upon the competition Council's request, a number of The Phone House stores were divested. Belgacom sold these stores mid-November 2012 to a newly created company 'YourCall'.

## Operating expenses

| (EUR million) | 1st Quarter 2012 Restated | 2013 | % Change |
|---|---|---|---|
| Costs of materials and services related to revenue | 614 | 637 | 3.7% |
| Personnel expenses and pensions | 278 | 290 | 4.3% |
| Other operating expenses | 226 | 218 | -3.7% |
| **Total** | **1,118** | **1,144** | **2.4%** |

**Higher Cost of Sales driven by BICS' strong growth in first quarter**

The Belgacom Group reported EUR 637 million Cost of Sales for the ***first quarter 2013***, or 3.7% higher versus the same period of 2012. This was driven by the strong growth of BICS driving higher Cost of Sales, whereas the Cost of Sales from the Consumer and Business segment were down from the previous year by 8.2% and 0.7% respectively.

**Inflation-based wage indexation main driver of higher HR expenses**

The Belgacom Group reported EUR 290 million HR expenses for the first quarter of 2013, up 4.3% from the previous year. The year-on-year increase was primarily explained by the inflation-based wage indexations of March 2012 and January 2013. Furthermore, the estimated liabilities for terminating benefits for employees in reconversion were reviewed in the first quarter, increasing the HR expenses by EUR 2 million. As of 1 January 2013 such expenses are recorded in HR expenses due to their recurring nature, contrary to the past when these expenses were recorded as non-recurring expenses. The negative wage effects were somewhat offset by a year-on-year reduction in headcount to 15,790 FTEs.

| Number of FTE | March 2012 | December 2012 | March 2013 | 3 months variance | 12 months variance |
|---|---|---|---|---|---|
| Consumer Business Unit | 5,474 | 5,273 | 5,169 | -103 | -304 |
| Enterprise Business Unit | 5,208 | 5,298 | 5,434 | 135 | 225 |
| Service Delivery Engine & Wholesale | 3,099 | 3,125 | 3,057 | -67 | -42 |
| Staff & Support | 1,757 | 1,772 | 1,736 | -36 | -20 |
| International Carrier Services | 388 | 391 | 393 | 2 | 5 |
| **Total** | **15,926** | **15,859** | **15,790** | **-69** | **-136** |

**Lower non-HR expenses**

In the first ***quarter of 2013***, the Belgacom Group recorded EUR 218 million in non-HR expenses; this is 3.7% less than for the same period of 2012. This is explained by cost containment and a favorable year-on-year currency impact.

## Operating income before depreciation and amortization (EBITDA)

| (EUR million) | 1st Quarter 2012 Restated | 2013 | % Change |
|---|---|---|---|
| Consumer Business Unit | 252 | 248 | -1.6% |
| Enterprise Business Unit | 291 | 260 | -10.4% |
| Service Delivery Engine & Wholesale | -23 | -30 | 34.4% |
| Staff & Support | -78 | -71 | -8.6% |
| International Carrier Services | 28 | 35 | 23.9% |
| Inter-segment eliminations | 0 | 0 | -2.0% |
| **Total** | **470** | **441** | **-6.1%** |

Belgacom reported for the ***first quarter 2013*** a **Group EBITDA of EUR 441 million, or 6.1% lower** than for the same period of 2012. This includes the impact from regulatory measures, which reduced the 2013 first-quarter EBITDA by EUR -15 million (-3.2%), mainly related to reduced Voice and Data roaming prices since 1 July 2012. This **regulation impact aside, Belgacom's Group EBITDA was down 2.9%**, largely driven by increased pressure on Direct margin and higher HR expenses, partially offset by less non-HR expenses. In particular, the Enterprise segment result eroded, driven by the adverse effect on its margins by a changing product mix. In addition, the Service Delivery Engine & Wholesale segment result declined on the back of slowing wholesale revenue and increased expenses in connection with launched simplification projects. This was partially offset by a solid contribution from BICS and the capital gain realized on the property sale within the framework of network simplification.

## Depreciation and amortization

***First quarter 2013*** depreciation and amortization totaled EUR 192 million, up by EUR 11 million from the previous year, mainly driven by the amortization of modems which Belgacom has been capitalizing since 1 January 2012.

## Net finance cost

The net finance cost was EUR 2 million down year-over-year to EUR 20 million in 2013 mainly as a result of lower discounting expenses on long-term HR-related debt (mainly post-employment and termination benefits).

## Tax expense

The ***first-quarter 2013*** tax expenses amounted to EUR 53 million, representing an effective tax rate of 23.3%. This is slightly below the effective tax rate of 24.3% for the first quarter of 2012 as a result of lower earnings before tax with fairly stable adjustments of the tax base. The effective tax rate is based on the application of general principles of Belgian tax law.

## Net income (Group share)

Belgacom reported a Group net income (Group share) of EUR 171 million for the ***first quarter of 2013***, a EUR 28 million decrease compared to the first quarter of 2012 as a result of the EBITDA decrease and higher depreciation and amortization.

## Capital expenditure (Capex)

| (EUR million) | 2012 | 2013 | % Change |
|---|---|---|---|
| Consumer Business Unit | 61 | 48 | -21.7% |
| Enterprise Business Unit | 4 | 3 | -16.7% |
| Service Delivery Engine & Wholesale | 116 | 134 | 15.9% |
| Staff & Support | 5 | 2 | -52.8% |
| International Carrier Services | 1 | 6 | 600.5% |
| **Total** | **186** | **193** | **3.8%** |

In the ***first quarter of 2013***, Belgacom invested EUR 193 million, up by EUR 7 million compared to the previous year. As announced in the full-year 2012 communication, Belgacom is accelerating network and IT investments in 2013. In this regard, SDE&W invested to further increase speeds of both its Mobile (3G+ and LTE expansion) and Fixed networks (Dynamic Line Management roll-out), and in network and IT simplification projects.
The capex increase for BICS resulted from acquired transmission capacity in the WACS (West Africa Cable System) submarine communications cable, linking South Africa with the United Kingdom.
This was partly offset by a favorable year-on-year comparison for the Consumer segment relating to acquired and renewed broadcasting rights recorded in the first quarter 2012.

## Cash flows

| | 1st Quarter | | |
|---|---|---|---|
| (EUR million) | 2012 | 2013 | % Change |
| Cash flows from operating activities | 386 | 271 | -30% |
| Cash paid for acquisitions of intangible assets and property, plant and equipment | -186 | -193 | 4% |
| Cash flows from / (used in) other investing activities | -21 | 11 | <-100% |
| **Cash flow before financing activities** | **179** | **89** | **-50%** |
| Net cash provided by financing activities | 16 | 73 | 354% |
| **Net increase of cash and cash equivalents** | **195** | **162** | **-17%** |

In the ***first quarter 2013***, Belgacom generated EUR 89 million in Free Cash Flow (FCF), or EUR 90 million less than for the same period of 2012. The lower FCF is mainly the result of higher income tax payments, lower EBITDA, higher cash paid for capital expenditure, and finally also higher needs in terms of core working capital.

The EUR 73 million of Cash Flow provided by financing activities for 2013 is EUR 57 million higher compared to 2012, as a result of a Private Placement of EUR 150 million issued in March 2013, partially offset by the repayment of some short term treasury notes (commercial paper).

## Balance sheet and shareholders' equity

Intangible fixed assets and property, plant and equipment are fairly stable.

The shareholders' equity increased from EUR 2,882 million at year-end 2012 (after restatement) to EUR 3,058 million end March 2013, mainly reflecting the net income generated so far in 2013.

Compared to end-2012, the net financial debt decreased by EUR 95 million to EUR 1,506 million per end of March 2013. Outstanding long-term gross financial debt amounted to EUR 2.0 billion at the same date. Belgacom continues to have a sound financial position, with one of the lowest debt positions in the European telecom sector.

| Regulation impacts (Decrease in EUR million) | | Estimated Impact FY 2013 | Actuals Q1 2013 |
|---|---|---|---|
| MTR & flow-through Fix-to-Mob | Revenue | *~ €45m* | €10m |
| | EBITDA | *~ €5m* | €1m |
| Roaming (i.e. Voice, SMS and Data) | Revenue | *~ €48m* | €15m |
| | EBITDA | *~ €48m* | €15m |
| **Total** | **Revenue** | ***~ €93m*** | **€24m** |
| | **EBITDA** | ***~ €53m*** | **€15m** |

## Mobile Termination Rates

On 1 January 2013, the last step of the MTR glide path set by the Belgian regulator (BIPT) in June 2010 for the period 2010-2013 entered into force. Since 1 January 2013, MTRs in Belgium are fully symmetric at a rate of 1.18 euro cents/min (incl. inflation).

| MTR glide path | Before* | 01-Aug-10* | 01-Jan-11* | 01-Jan-12* | 01-Jan-13* |
|---|---|---|---|---|---|
| **In euro cent (excluding VAT)** | | | | | |
| Proximus | *7.2* | 4.62 | 3.94 | 2.62 | 1.18 |
| Mobistar | *9.02* | 5.05 | 4.29 | 2.79 | 1.18 |
| Base | *11.43* | 5.81 | 4.90 | 3.11 | 1.18 |
| **% change** | | | | | |
| Proximus | | -36% | -15% | -34% | -55% |
| Mobistar | | -44% | -15% | -35% | -58% |
| Base | | -49% | -16% | -36% | -62% |
| **Asymmetry** | | | | | |
| Mobistar-Prox | *25%* | 9% | 9% | 6% | 0% |
| Base-Prox | *59%* | 26% | 24% | 19% | 0% |

*Including inflation

On 14 July 2010, Mobistar and KPN Group each filed a separate appeal against the BIPT decision of 29 June before the Brussels Court of Appeal, both asking the Court to suspend and annul the decision (especially regarding their own MTR tariffs). After rejecting the request for suspension on 15 February 2011, the Appeal Court also rejected on 16 May 2012 the substantial arguments in the case on the merits. However, the Court accepted the argument that BIPT failed to consult the regional regulators on the matter. Having no other choice than to annul the decision, the Court decided to ask to the Constitutional Court whether it has the powers to temporarily maintain the current regulation in place while BIPT consults the regional regulators and re-adopts its decision. Pending the judgment of the Constitutional Court, the current MTR rates remain fully valid.

## Mobile licenses

In February 2013, the Government approved in first reading the draft conditions for the upcoming auction of the 800MHz band (resulting from the digital dividend). Three lots of 2x10 MHz will be auctioned for a minimum price of EUR 120 million per lot for 20 years. A spectrum cap of 2x10 MHz has been set. No spectrum will be reserved for new entrants. The licensees will have to comply with coverage obligations and national roaming may be imposed by the BIPT. The auction process is expected to be completed by the end of 2013.

## Roaming rates

The Roaming III Regulation entered into force on 1 July 2012. This new regulation covers a ten-year period until 30 June 2022. It imposes a further lowering of the existing regulated price caps and extended the roaming regulation to retail data as from July 2012.

| EU roaming regulation | 01-Jul-11 | 01-Jul-12 | 01-Jul-13 | 01-Jul-14 |
|---|---|---|---|---|
| **Voice roaming rates (in euro cent per minute)** | | | | |
| Retail Outgoing | 35 | 29 | 24 | 19 |
| Retail Incoming | 11 | 8 | 7 | 5 |
| Wholesale | 18 | 14 | 10 | 5 |
| **SMS roaming rates (in euro cent per SMS)** | | | | |
| Retail SMS | 11 | 9 | 8 | 6 |
| Wholesale SMS | 4 | 3 | 2 | 2 |
| **Data roaming rates (in euro cent per MB)** | | | | |
| Retail data | - | 70 | 45 | 20 |
| Wholesale data | 50 | 25 | 15 | 5 |

In addition, two structural measures to encourage competition have been taken: (i) MVNO wholesale access from 1 July 2012 and (ii) decoupling, i.e. separate selling of roaming services from domestic mobile services, from 1 July 2014. The regulation also lays down rules aimed at increasing price transparency and improving the provision of information on charges to roaming customers.

**Cable and Broadband regulation**

The court rulings of 2012 rejecting the claims of all the cable operators (suspension cases against opening of cable) have paved the way for the effective implementation of the cable obligations. In April 2013, the Belgian regulators published their draft decisions concerning the wholesale prices for access to the cable networks. The draft decisions set the discount percentages (so-called retail minus) to be applied on the retail price level of the monthly subscriptions. The proposed discounts range from 20% to 35%, excluding royalties (author and content rights). In addition, the draft decisions propose non-recurrent fees to be paid to the cable companies. The Court will now treat the cases on the merits and a judgment is not expected before the second half of 2013. Belgacom also filed an annulment request against its exclusion as beneficiary from digital TV and broadband access in the broadcast decisions of July 2011.

Concerning the broadband wholesale prices, the European Commission has announced its intention to stabilize the prices of the copper lines in a range between 8 and 10 EUR/month in real terms and to allow more pricing flexibility for fiber-based networks. The Commission will in 2013 submit draft guidelines that will apply at least until 2020.

The BIPT market analysis decision of 1 July 2011 on wholesale broadband obliges Belgacom to provide a "multicast" functionality in the bitstream offer (to be used for broadcasting). Belgacom's reference offer was approved by BIPT on 4 October 2012 for the non-pricing aspects. A decision on pricing is still pending. The multicast functionality has been operational since April 2013. Belgacom has appealed the broadband decision to challenge the multicast obligation.

Following Belgacom's announcements and earlier notification of its FTTH plans in some greenfields, BIPT has proposed on 8 April 2013 to extend all existing LLU and bitstream obligations to fibre and to impose unbundled access at the level of the street cabinet in case there is demand. Prices will be set according to cost orientation and be subject to price squeeze control. In the current proposal, Belgacom's retail launch is depending on a final approval of the reference offer and availability of an operational wholesale offer.

**Consumer protection**

The new law transposing the revised EU telecom framework strengthened the consumer protection rules and introduced new measures related to contract regulation imposing (i) a contract duration of 24 months maximum for consumers and an obligation to propose a 12-month maximum contract to all customers, (ii) possibility of early termination of fixed-term contracts after 6 months (without any penalty except potential reimbursement of the residual value of a free device) for consumers and small enterprises and (iii) specific conditions applicable to the replacement of an existing contract by a new fixed-term contract (in particular after distance selling). The new provisions are applicable on both new and existing contracts.

Since July 2012, Belgacom decided to go a step further by offering the consumer the opportunity to discover the quality of its products and services with no strings attached. As such, all new fixed and mobile contracts, including promotional offers (but excluding joint offers), are non-binding as of July for the residential market. Some non-binding offers have also been designed for business customers having up to five numbers.

## Accounting change with retrospective application: Revision of IAS rule on Employee Benefits

The accounting policies and methods of the Group used as of 2013 are consistent with those applied in the 31 December 2012 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Belgacom Group on 1 January 2013. This had only very limited impact except for the adoption of the revision of IAS 19 (IAS 19R) on Employee Benefits and more specifically on post-employment benefits. Also, IAS 19R required a retrospective application, meaning that **the year 2012 (including the opening balance sheet of 2012) has been restated for 2013 reporting and comparison purposes, as from this first-quarter 2013 release. Where applicable, 2012 figures have been restated in the tables included in this report.**
The major changes relate to the recognition of actuarial gains and losses through Other Comprehensive Income (equity) and the alignment of the expected return of assets to the discount rate. Applying the revision, Belgacom classified the net periodic pension cost in operating and financing activities for their respective components.

Concretely, the impacts are the following :

- On the balance sheet, cumulated actuarial gains and losses are now recognized through Other Comprehensive Income together with their related deferred taxes, if any.
- The Income Statement is impacted as a result of (i) the removal of the amortization of actuarial gains and losses exceeding the corridor, (iii) the alignment of the expected return of assets to the discount rate and (ii) the classification of the different components of the net periodic pension cost in operating and financing activities for their respective components.
- The free cash flow is not impacted as the financing of such benefits remained unchanged.

| BALANCE SHEET RESTATEMENTS | As of 31 March 2012 | | |
|---|---|---|---|
| in EUR million | Restatements on Opening | Restatements on Income Statement | Restatements on Closing |
| Increase of liability for pensions and other post-employment benefits | 99.1 | -0.2 | 98.9 |
| Decrease of deferred tax liabilities | -23.7 | -0.1 | -23.8 |
| Decrease of shareholders equity | 75.4 | -0.2 | 75.2 |

| RESTATED INCOME STATEMENT | Year ended 31 March 2012 | | |
|---|---|---|---|
| in EUR million | Reported | Restatements | Restated |
| **EBITDA (*) before non-recurring items** | **466** | **4.2** | 470 |
| **EBITDA (*) after non-recurring items** | **466** | **4.2** | **470** |
| **Operating income** | **284** | **4.2** | **289** |
| Net finance costs | -18 | -4.1 | -22 |
| **Income before taxes** | **267** | **0.2** | **267** |
| Tax expense | -65 | 0.1 | -65 |
| **Net income** | **202** | **0.2** | **202** |
| Net income (Group share) | 199 | 0.2 | 199 |

(*) EBITDA : Operating income before depreciation & amortization

## Outlook 2013

Based on the performance so far, and Belgacom's best estimate for the remainder of the year, Belgacom reiterates its 2013 full-year guidance, i.e.: **Group revenue to be 1% to 2% lower than for 2012 and Group EBITDA to decline by 4% to 6% compared to the 2012 restated EBITDA of EUR 1,801 million** (following the retrospective application of IAS 19R as explained in the section above).
The guidance for full-year 2013 reflects the challenging operating environment with lower visibility due to a more volatile competitive landscape and an unfavorable economy. Furthermore, the guidance takes into account an estimated negative impact from regulatory measures of about EUR -93 million on revenue and about EUR -53 million on EBITDA[1].

| Metrics | Guidance 2013 (based on the restated FY 2012 - due to the IAS19 revision) | Reported Q1 2013 |
|---|---|---|
| Group revenue | Decline between '-1% and -2%' | -0.1% |
| Group EBITDA | Decline between '-4% and -6%' | -6.1% |
| Capex/Revenue | Between '13% and 14%' | 12.2% |

[1] See page 7 for more detail

# Consumer Business Unit – CBU

- **First-quarter revenue impacted by augmented pressure on mobile**
- **Solid Fixed business performance: TV & Fixed Internet steadily growing, Fixed Voice erosion controlled**
- **Mobile Postpaid back to growth, supported by the convergence strategy**
- **Segment result decline was limited by good cost control**

## P&L Consumer Business Unit

| (EUR million) | 1st Quarter 2012 Restated | 2013 | % Change |
|---|---|---|---|
| **TOTAL SEGMENT INCOME** | **577** | **553** | **-4.2%** |
| Costs of materials and services related to revenue | -162 | -149 | -8.2% |
| Personnel expenses and pensions | -89 | -88 | -1.2% |
| Other operating expenses | -74 | -68 | -8.1% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-325** | **-305** | **-6.2%** |
| **TOTAL SEGMENT RESULT (1)** | **252** | **248** | **-1.6%** |
| *Segment contribution margin* | *43.7%* | *44.9%* | - |
| Depreciation and amortization | -32 | -41 | 26.2% |
| **OPERATING INCOME** | **220** | **208** | **-5.7%** |

(1) Operating income before depreciation and amortization and before non-recurring income and expenses

*CBU quarterly financial and operational results: page 19*

## Revenue

For the ***first quarter 2013***, CBU reported **revenues of EUR 553 million, i.e. 4.2% lower** than for the same period of the previous year. Regulatory price measures reduced the 2013 first quarter revenue by EUR -7 million (-1.1%). This includes the effect of the regulated price cut on 1 January 2013 of Mobile Termination Rates as well as lower Voice, SMS and Data Roaming rates following the reduced regulated tariffs since 1 July 2012. **Price Regulation excluded, CBU was down 3.1%** compared to the first quarter of 2012. This decline was mostly driven by the effects of the new Telecom Law on the Mobile Voice revenue, by the continued Fixed Voice revenue erosion and to some extent by the sale some The Phone House stores in November 2012. Overall, the decrease of both the Mobile and Fixed Voice revenues was partly compensated for by the continued solid growth of TV and Fixed Data revenues, underbuilt by the success of the convergent Packs.

| (EUR million) | 1st Quarter 2012 | 2013 | % Change |
|---|---|---|---|
| **Revenues** | **577** | **553** | **-4.2%** |
| **From Fixed** | **274** | **279** | **1.6%** |
| Voice | 110 | 104 | -5.0% |
| Data | 85 | 87 | 2.2% |
| TV | 55 | 64 | 16.9% |
| Terminals (excl. TV) | 6 | 6 | 3.3% |
| Scarlet | 19 | 17 | -8.6% |
| **From Mobile** | **281** | **255** | **-9.4%** |
| Voice | 130 | 100 | -23.2% |
| Data | 97 | 97 | 0.1% |
| Terminals | 27 | 29 | 5.5% |
| Tango | 27 | 29 | 7.1% |
| **Other** | **22** | **19** | **-10.0%** |

**Fixed Voice price increase results in fairly flat ARPU, line erosion largely explaining revenue decline**
The ***first-quarter 2013*** Fixed Voice revenue of EUR 104 million was down 5% year-over-year. Two-thirds of the quarter benefitted from a price increase (1 February 2013), which brought some relief to the reducing Voice revenue resulting from the year-on-year line loss.
The first quarter ended with a Fixed line erosion of -26,000 lines. By end-March 2013, the CBU Fixed Voice customer base totaled 1,693,000 lines.
Year-over-year, the Fixed Voice ARPU remained fairly stable at EUR 20.1, and was slightly up on the previous quarter. The total Fixed Voice traffic was flat year-over-year, with continued growth in Fixed-to-Mobile and International calls versus declining National traffic.

**Continued Fixed Internet revenue growth driven by price indexation and larger customer base**
CBU ended the ***first quarter 2013*** with a Fixed Data revenue of EUR 87 million, i.e. 2.2% higher compared with the same period of the year before. This was driven by the growing customer base and the price indexation of February 2013. Supported by the ‘Internet Everywhere’ broadband offers, mainly bought in a Pack, the broadband customer base grew by 10,000 in the first three months of 2013. This brings the total CBU Fixed Internet customer base to 1,203,000 by end-

March 2013. The first-quarter Broadband ARPU of EUR 26.3 was slightly down from the same period in 2012 (EUR 26.9).

**Continued TV revenue growth through larger TV customer base and higher ARPU**
The ***first-quarter 2013*** TV revenue grew by 16.9% to EUR 64 million, as a result of the continued subscriber growth, with Belgacom adding 26,000 TV subscriptions (i.e. including +12,000 multiple set-top boxes) in the first quarter 2013. This resulted in a total TV customer base of 1,412,000 (+13% year-over-year), of which 242,000 were multiple streams. The TV ARPU showed a 4.5% growth year-over-year to EUR 18.3 supported by a price increase for rented set-top boxes.

**Mobile Voice revenue under pressure; Postpaid customer base back to growth with 26,000 net adds**
In the ***first-quarter 2013,*** CBU generated EUR 100 million Mobile Voice revenue. Besides the regulatory impact, including the MTR-cut of January 2013 and lower Voice Roaming rates (July 2012), the 23% year-over-year decline is largely the result of the loss of Prepaid customers and the mobile Postpaid repricing, while MoU (Minutes of Use) were slightly up.
The blended Voice ARPU for the first quarter 2013 was EUR 9.5, or 18.6% lower year-on-year, showing the impact of the mobile repricing.
In the course of the first quarter, the revised Mobile pricing plans and increased marketing efforts gradually turned Postpaid back to growth, ending the first quarter with 26,000 net adds, a significant turnaround from the decline seen in the previous quarter. The convergent Packs including mobile and the Internet Everywhere offer continued their strong traction.
In line with the market evolution, Mobile Prepaid continued to decline, resulting in a net loss of 108,000 prepaid cards during the quarter. Accordingly, CBU's total Mobile customer base end-March 2013 numbered 3,561,000 cards.

**Stable Mobile data revenue restrained by increased regulation and the mobile customer evolution**
Year-over-year, the Mobile Data revenue remained stable (+0.1%) in the ***first quarter of 2013***, with growth restrained by regulation, the year-on-year lower mobile customer base and the more abundant offers. The SMS revenue grew 0.3% in the first quarter 2013, while the average monthly SMS usage was stable year-over-year at 280 text messages. Advanced Mobile Data showed a revenue decline of -1.0%, generating EUR 12 million in the first quarter of 2013, with the uptake in usage being offset by the more abundant offers. Also, the revenue was impacted by the regulated price cap on retail Data roaming as of July 2012.
The ARPU from Mobile Data increased year-over-year by 5.8% to EUR 9 for the first quarter 2013.

| | 1st Quarter | | |
|---|---|---|---|
| **(EUR million)** | **2012** | **2013** | **% Change** |
| **Mobile DATA revenue** | **97** | **97** | **0.1%** |
| SMS | 85 | 85 | 0.3% |
| Advanced data | 12 | 12 | -1.0% |

## CBU operating expenses

**Lower Cost of Sales, down 8.2% year-over-year**
***First-quarter 2013*** Cost of Sales continued the positive trend from the last quarters, ending 8.2% lower year-over-year. The positive impact of the divestment of part of The Phone House stores and regulation was enforced by an improved sales channel mix, i.e. focusing more on the own direct channels.

**HR expenses down 1.3% due to lower headcount**
HR expenses for the ***first quarter*** showed a decrease to EUR 88 million, -1.2 % year-over-year. The inflation-based salary indexations of March 2012 and January 2013 were more than offset by the positive impact of the lower headcount within the Consumer Business Unit which was for some part due to divestment of a number of The Phone House stores.

**Non-HR expenses down 8.0% driven by cost optimization initiatives**
CBU's ***first-quarter*** non-HR expenses of EUR 68 million were down 8.1%, supported by cost optimization initiatives and due to divestment of some of The Phone House stores.

## CBU segment result

For the ***first quarter 2013***, CBU reported a segment result of EUR 248 million, i.e. a year-over-year decline of 1.6%. This includes a negative impact from regulation of EUR -2 million (-0.8%), mainly due to Voice and Data Roaming price caps. The segment contribution margin was 44.9%, up 1.2 p.p. versus the previous year.
In spite of Mobile being pressured, the Consumer segment result decline remained limited driven by sound Fixed revenues while on the cost side the Cost of Sales as well as the Operating expenses showed a strong decrease compared to the same period in 2012, resulting from tight cost control.

## CBU operating result

| | 1st Quarter | | |
|---|---|---|---|
| | 2012 | 2013 | YoY Variance (in abs. amount) |
| **FROM FIXED** | | | |
| Number of access channels (thousands) | 2,938 | 2,895 | -43 |
| Voice | 1,780 | 1,693 | -87 |
| Broadband | 1,159 | 1,203 | 44 |
| Traffic (millions of minutes) | 1,086 | 1,086 | 0 |
| National | 828 | 787 | -41 |
| Fixed to Mobile | 164 | 190 | 25 |
| International | 94 | 110 | 16 |
| TV (thousands) | 1,254 | 1,412 | 159 |
| TV - households | 1,057 | 1,170 | 112 |
| Of which multiple settop boxes | 196 | 242 | 46 |
| ARPU (EUR) | | | |
| ARPU Voice | 20.2 | 20.1 | -0.1 |
| ARPU broadband | 26.9 | 26.3 | -0.6 |
| ARPU Belgacom TV | 17.6 | 18.3 | 0.8 |
| **FROM MOBILE** | | | |
| Number of active customers (thousands) | 3,805 | 3,561 | -244 |
| Prepaid (1) | 2,116 | 1,815 | -300 |
| Postpaid | 1,690 | 1,746 | 56 |
| Annualized churn rate (blended - variance in p.p.) | 20.4% | 33.3% | |
| Net ARPU (EUR) | | | |
| Prepaid | 14.0 | 13.3 | -0.7 |
| Postpaid | 27.9 | 24.1 | -3.8 |
| Blended | 20.1 | 18.5 | -1.7 |
| Blended voice | 11.6 | 9.5 | -2.2 |
| Blended data | 8.5 | 9.0 | 0.5 |
| UoU (units) | 377.9 | 375.3 | -2.6 |
| MoU (min) | 101.5 | 102.2 | 0.7 |
| SMS (units) | 279.8 | 279.8 | -0.1 |

(1) Prepaid includes Mobisud customers that were previously reported as MVNO customers

## Tango

| | 1st Quarter | | |
|---|---|---|---|
| | 2012 | 2013 | % Change |
| Revenue (in EUR mio) (1) | 27 | 29 | 7.1% |
| Total active mobile customers (in '000) | 266 | 273 | 2.7% |
| Blended mobile net ARPU (EUR/month) | 28.4 | 30.1 | 6.1% |

(1) Total Tango revenues, i.e. fixed and mobile revenues

In the ***first quarter 2013***, Tango's revenue increased 7.1% year-over-year, generating EUR 29 million revenue. The revenue was supported by Postpaid continuing its growth as well as by the migration from prepaid to postpaid which also positively impacted the ARPU. The growth was partly offset by the lower Voice Roaming rates (July 2012).
Belgacom extended its convergence strategy to Tango, which, at the end of 2012, launched a TV and quadruple-play offer. Together with Tango's successful new 4G offer and strong focus on the B2B market, Tango managed to acquire 3000 new Mobile customers in the first quarter of 2013.

# Enterprise Business Unit – EBU

- **First-quarter revenue impacted by regulation and augmented pressure on mobile revenue**
- **In spite of adverse economy, ICT showed solid revenue growth**
- **Mobile churn coming down significantly; 30,000 net mobile adds in first quarter**
- **Lower segment result due to regulation and changing product mix impacting margins**

## P&L Enterprise Business Unit

| | 1st Quarter | | |
|---|---|---|---|
| **(EUR million)** | **2012 Restated** | **2013** | **% Change** |
| **TOTAL SEGMENT INCOME** | **579** | **554** | **-4.4%** |
| Costs of materials and services related to revenue | -149 | -148 | -0.7% |
| Personnel expenses and pensions | -99 | -107 | 7.6% |
| Other operating expenses | -40 | -38 | -4.7% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-289** | **-293** | **1.6%** |
| **TOTAL SEGMENT RESULT (1)** | **291** | **260** | **-10.4%** |
| *Segment contribution margin* | *50.2%* | *47.0%* | - |
| Depreciation and amortization | -4 | -3 | -7.6% |
| **OPERATING INCOME** | **287** | **257** | **-10.5%** |

(1) Operating income before depreciation and amortization and before non-recurring income and expenses

*EBU quarterly financial and operational results: page 20*

## Revenue

Belgacom's Business segment generated EUR 554 million revenue in the ***first quarter 2013*****, a year-on-year decline of 4.4%**. Regulatory measures including the final cut in Mobile Termination Rates, reduced Voice and SMS Roaming rates, and especially the capping of retail Data roaming tariffs since 1 July 2012, have reduced EBU's revenue by EUR 17 million (-2.9%).
The **regulatory impacts aside, EBU's first-quarter revenue erosion was limited to 1.5% compared to the same period of 2012,** with ICT revenue growing 4.2% in the context of an unfavorable economy and stiff competition on the professional market. Mobile revenues, however, felt increased pressure triggered by the new Telecom law and intensified Mobile price competition. With mobile churn levels coming down significantly as the first quarter progressed, and the success of converged Packs, EBU ended the first quarter 2013 with a solid mobile customer growth.

| | 1st Quarter | | |
|---|---|---|---|
| **(EUR million)** | **2012** | **2013** | **% Change** |
| **Revenues** | **579** | **554** | **-4.4%** |
| **From Fixed** | **408** | **406** | **-0.6%** |
| Voice | 124 | 118 | -4.8% |
| Data | 99 | 96 | -3.0% |
| Terminals (excl. TV) | 18 | 18 | -2.2% |
| ICT | 167 | 174 | 4.2% |
| **From Mobile** | **166** | **143** | **-13.6%** |
| Voice | 106 | 88 | -16.7% |
| Data | 56 | 53 | -5.9% |
| Terminals | 3 | 2 | -47.4% |
| **Other** | **5** | **5** | **-13.6%** |

**Fixed Voice revenue in first quarter 2013 impacted by regulation and line erosion**
For the ***first quarter 2013***, EBU reported EUR 118 million revenue in Fixed Voice, 4.8% lower versus the same period of 2012. This includes the negative effect from lowered Fixed-to-Mobile rates on 1 January 2013 following the regulated cut in Mobile Termination Rates. Besides the regulation impact, Fixed Voice revenue remains pressured by a continued line erosion, while the price indexation effective 1 February 2013, gave limited relief.
The Fixed Line erosion in the first quarter 2013 was -18,000 lines, impacted by enterprises rationalizing on their Fixed lines, bringing the EBU total Fixed Line customer base to 1,338,000 by end-March 2013. On a yearly basis, this is a 4.1% line loss, while the first-quarter 2013 Fixed Voice ARPU of EUR 28.7 was 0.8% lower year-over-year, though slightly up from the previous quarter.

**Fixed Data revenue impacted by migrations to Explore platform and uptake of converged Packs with Internet**
The ***first-quarter 2013 revenue*** from Fixed Data, consisting of Fixed Internet and data connectivity revenue, for a total of EUR 96 million, was 3% below that of the same period of 2012. This is in part due to a continued migration from older technologies to the Belgacom Explore platform, for which pricing is more favourable for customers. Fixed Internet revenue

slightly eroded year-on-year because of a slightly lower customer base (-0.7%) and somewhat lower ARPU (-1.2%) compared to one year ago as SME customers are increasingly opting for advantageous converged Packs. Therefore, in spite of operating in a saturated competitive professional Fixed Internet market, EBU added 1,000 customers in the first quarter 2013, leading to a Fixed Internet customer base of 444,000.

**Solid ICT revenue, showing 4.2% growth in challenging economic context**
In the context of an unfavorable economy, EBU reported EUR 174 million ICT revenue in a seasonally slow first quarter, 4.2% up from the previous year. This in spite of customers delaying IT projects or opting for private Cloud-based solutions, triggering a shift from one-time revenue to monthly services fees. In line with the strategy to focus on higher-margin ICT business, EBU's split of Services versus Products further improved, positively impacting the ICT margin.

**Continued pressure on Mobile Voice ARPU; customer base growing by 30,000 mobile cards**
For the ***first quarter of 2013,*** EBU reports EUR 88 million revenue from Mobile Voice, down 16.7% year-over-year. This includes an impact from the final cut in Mobile Termination Rates (1 January 2013) and the reduced Voice Roaming rates (1 July 2012).
The new telecom law and aggressive competitor mobile pricing had some spill-over effect on the professional market, though EBU saw the port-in/port-out balance improving in the course of the first quarter. Mobile cards sold in a multi-play Pack did especially well, leading to a continued growth in EBU's Mobile customer base. In the first quarter 2013 EBU added 30,000 mobile cards, including solid growth in Mobile Voice cards, Mobile Data and Machine-to-Machine cards, with the total Mobile customer base totaling 1,516,000 cards.
While EBU's base of mobile cards was up 7% year-on-year, the ARPU further declined to EUR 19.7, or -22.1% from the first quarter of 2012. Besides the regulation impact, this is due to the uptake of pricing plans including more free Voice usage, and by churned high-usage customers in the previous quarter. This led to a lower average usage per customer, with first-quarter 2013 MoU at 310 minutes/month, or down 5.3% from the same period of 2012.

**Regulated price caps pressuring both SMS and advanced Mobile data revenue**
For the ***first quarter of 2013***, EBU reported EUR 53 million revenue in total for Mobile Data, i.e. a 5.9% decline versus the same period of 2012.
EBU generated EUR 25 million **revenue from SMS** in the first quarter 2013, i.e. a 4.2% decline versus the previous year, including a limited impact from the regulated capping of SMS roaming rates. Moreover, SMS revenue was impacted by the increased customer rotation in the Belgian Mobile market and especially by a repricing in the business market, including more and more free SMS volumes. SMS usage continued to show growth, up 11% (118 text messages per user per month).
**Non-SMS mobile data** generated EUR 28 million revenue, i.e. 7.2% lower than for the same period of 2012. The lower revenue was the result of the introduction of price caps on retail Data roaming since 1 July 2012, more than offsetting the growth of roaming volumes. In the first quarter, the Mobile Data ARPU was down by 12%, reaching EUR 11.8.

| | 1st Quarter | | |
|---|---|---|---|
| **(EUR million)** | **2012 Adjusted** | **2013** | **% Change** |
| **Mobile DATA revenue** | **56** | **53** | **-5.9%** |
| SMS | 26 | 25 | -4.2% |
| Advanced data | 31 | 28 | -7.2% |

*The split between SMS and advanced Mobile Data has been adjusted due to a refinement in the allocation of EBU data bundles. The 2012 results have been adjusted accordingly to keep a correct comparable basis. Adjusted 2012 quarterly evolution also on page 20*

## EBU operating expenses

**Cost of Sales slightly down year-on-year**
For the ***first quarter 2013***, EBU reported EUR 148 million in Cost of Sales, i.e. 0.7% less than for the same period of 2012. This includes a positive effect from lower Mobile Termination Rates, more than offsetting the unfavorable evolution of EBU's overall product mix on the Cost of Sales.

**HR expenses up year-on-year due to higher headcount and salary indexation**
Year-over-year the HR expenses increased by 7.6% to EUR 107 million for the ***first quarter of 2013***, mainly due to more headcount to support the IT-business and migration from 'old' to 'new' technologies, and due to inflation-based salary indexations. (March 2012 and January 2013).

**Lower non-HR expenses including positive currency effect**
For the ***first quarter 2013,*** EBU reports EUR 38 million non-HR expenses, 4.7% lower compared to the first three months of 2012, which included an unfavorable currency effect.

## EBU segment result

EBU's ***first-quarter 2013*** segment result of EUR 260 million is 10.4% lower versus the same period of 2012, including a EUR 12 million (-4.3%) negative impact from regulatory measures. This excluded, EBU's segment result was down 6.1% from the previous year, due to lower Direct margin resulting from the changing product mix and higher HR expenses. The reported contribution margin was 47.0%, versus 50.2% for the same period of 2012.

## EBU operating result

| | 1st Quarter 2012 | 1st Quarter 2013 | YoY Variance (in abs. amount) |
|---|---|---|---|
| **FROM FIXED** | | | |
| Number of access channels (thousands) | 1,841 | 1,781 | -59 |
| Voice | 1,394 | 1,338 | -56 |
| Broadband | 446 | 444 | -3 |
| Traffic (millions of minutes) | 754 | 695 | -58 |
| National | 502 | 457 | -45 |
| Fixed to Mobile | 167 | 161 | -6 |
| International | 84 | 77 | -7 |
| ARPU (EUR) | | | |
| ARPU Voice | 28.9 | 28.7 | -0.2 |
| ARPU Broadband | 39.5 | 39.0 | -0.5 |
| **FROM MOBILE** | | | |
| Number of active customers (thousands) | 1,413 | 1,516 | 103 |
| Postpaid | 1,413 | 1,516 | 103 |
| Annualized churn rate (blended - variance in p.p.) | 11.7% | 14.2% | |
| Net ARPU (EUR) | | | |
| Postpaid | 38.7 | 31.5 | -7.2 |
| Postpaid voice | 25.3 | 19.7 | -5.6 |
| Postpaid data | 13.5 | 11.8 | -1.6 |
| UoU (units) | 375.8 | 360.2 | -15.7 |
| MoU (min) | 327.8 | 310.2 | -17.5 |
| SMS (units) | 106.6 | 117.7 | 11.2 |

# Service Delivery Engine & Wholesale – SDE&W

## P&L Service Delivery Engine & Wholesale

| | 1st Quarter | | |
|---|---|---|---|
| **(EUR million)** | **2012 Restated** | **2013** | **% Change** |
| **TOTAL SEGMENT INCOME** | **78** | **75** | **-3.0%** |
| Costs of materials and services related to revenue | -9 | -11 | 12.6% |
| Personnel expenses and pensions | -43 | -45 | 4.6% |
| Other operating expenses | -48 | -50 | 4.7% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-100** | **-106** | **5.4%** |
| **TOTAL SEGMENT RESULT (1)** | **-23** | **-30** | 34.4% |
| *Segment contribution margin* | *-29.2%* | *-40.4%* | - |
| Depreciation and amortization | -108 | -112 | 4.1% |
| **OPERATING LOSS** | **-130** | **-142** | **9.3%** |

(1) Operating income before depreciation and amortization and before non-recurring income and expenses

*SDE&W quarterly financial and operational results: page 21*

### Revenue

For the ***first quarter of 2013***, SDE&W reported EUR 75 million revenue, a 3% year-on-year decline driven by lower Carrier Wholesale Services revenue. This resulted mainly from lower traffic volumes and a decline in wholesale leased lines, while the impact from decreasing Roaming prices was more than offset by higher Roaming volumes. Regulatory measures reduced the SDE&W revenue by 1.3%.

### Operating expenses

SDE&W reported EUR 45 million ***HR expenses*** for the first quarter 2013, up 4.6% from the previous year as a result of inflation-based salary indexations (March 2012 and January 2013), partly compensated for by lower headcount.

SDE&W's ***first-quarter 2013 non-HR expenses*** were up 4.7% to EUR 50 million due to an increased use of external resources to support the developments within Belgacom's simplification projects.

# Staff & Support – S&S

## P&L Staff and Support

| | 1st Quarter | | |
|---|---|---|---|
| **(EUR million)** | **2012 Restated** | **2013** | **% Change** |
| **TOTAL SEGMENT INCOME** | **9** | **18** | **109.0%** |
| Costs of materials and services related to revenue | 1 | 0 | >100% |
| Personnel expenses and pensions | -37 | -40 | 6.7% |
| Other operating expenses | -50 | -50 | -0.8% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-87** | **-90** | **3.2%** |
| **TOTAL SEGMENT RESULT (1)** | **-78** | **-71** | **-8.6%** |
| *Segment contribution margin* | - | - | - |
| Depreciation and amortization | -18 | -16 | -11.7% |
| **OPERATING LOSS** | **-96** | **-88** | **-9.2%** |

(1) Operating income before depreciation and amortization and before non-recurring income and expenses

*S&S quarterly financial results: page 22*

For ***the first quarter 2013,*** Staff and Support recorded EUR 18 million of revenue. This included a capital gain of EUR 11 million realized by Belgacom resulting from the sale of a technical building as part of Belgacom's ongoing network simplification plan.

The non-HR expenses for the ***first quarter 2013*** remained stable at EUR 50 million (-0.8%), while the HR expenses were higher year-on-year driven by inflation-based wage indexations partially offset by the benefit from lower headcount compared to end-March 2012.

# International Carrier Services – BICS

- **Solid revenue growth continued in first quarter 2013**
- **Voice growth driven by strong volumes & better destination mix, partly offset by reduced European MTRs**
- **Strong growth in Mobile Data**
- **First-quarter Gross Margin up 9.9% YoY, segment result up 23.9%**

## P&L International Carrier Services

| (EUR million) | 1st Quarter 2012 Restated | 2013 | % Change |
|---|---|---|---|
| **TOTAL SEGMENT INCOME** | **382** | **417** | **9.1%** |
| Costs of materials and services related to revenue | -326 | -355 | 8.9% |
| *Gross margin (1)* | *56* | *62* | *9.9%* |
| Personnel expenses and pensions | -10 | -11 | 9.1% |
| Other operating expenses | -18 | -16 | -11.4% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-354** | **-382** | **7.9%** |
| **TOTAL SEGMENT RESULT (2)** | **28** | **35** | **23.9%** |
| *Segment result margin* | *7.3%* | *8.3%* | - |
| Depreciation and amortization | -20 | -20 | -1.1% |
| **OPERATING INCOME** | **8** | **15** | **85.1%** |

(1) Total segment income net of Costs of materials and services related to revenue
(2) Operating income before depreciation and amortization and before non-recurring income and expenses

*ICS quarterly financial and operational results: page 22*

## Revenue

BICS **grew its revenue by 9.1% year-on-year** to reach EUR 417 million for the ***first quarter 2013***. The positive evolution was for the largest part driven by higher Voice revenue, up by 7.7% following the strong increase in traffic compared to the first quarter of 2012 specifically to the African region and a temporary traffic increase to the Asian region. The volume-driven revenue growth was partly offset by the negative impact of the European-wide MTR reduction.
Mobile data revenue too showed strong growth in the first quarter 2013, with revenue up 20.2% from last year, driven by a nearly 40% increase in messaging volumes.

| (EUR million) | 1st Quarter 2012 | 2013 | % Change |
|---|---|---|---|
| Voice | 340.7 | 367.0 | 7.7% |
| Non Voice | 41.3 | 49.6 | 20.2% |
| **Total revenues** | **381.9** | **416.6** | **9.1%** |

The positive year-over-year revenue evolution results in a solid Gross Margin for the ***first quarter 2013***, up 9.9% year-over-year to EUR 62 million.

| (EUR million) | 1st Quarter 2012 | 2013 | % Change |
|---|---|---|---|
| Voice | 31.0 | 33.4 | 7.8% |
| Non Voice | 25.1 | 28.2 | 12.4% |
| **Total Gross Margin** | **56.1** | **61.6** | **9.9%** |

## Segment result

***First-quarter 2013* non-HR expenses** for BICS totaled EUR 16 million, i.e. EUR 2 million or 11.4% lower than for the same period of 2012, which included an unfavorable currency effect.
**HR expenses** for the first quarter 2013 were EUR 11 million, showing an effect from salary indexations and other wage impacts, as well as a somewhat increased personnel base. As a consequence of the solid Direct margin growth and somewhat lower operating expenses (HR/Non-HR), BICS’ segment result for the first quarter 2013 was up by EUR 7 million (+24%), and the EBITDA margin ended 1p.p. higher at 8.3%.

| Volumes (in million) | 1st Quarter 2012 | 2013 | % Change |
|---|---|---|---|
| Voice | 6,907 | 7,267 | 5.2% |
| Non-Voice (SMS/MMS) | 323 | 451 | 39.8% |

# Quarterly results

**Note that to maintain a correct comparison base, and where applicable, 2012 figures published in this report have been restated following the revision of IAS 19 (IAS 19R) on Employee Benefits and more specifically on post-employment benefits.**

## Group – Financials

| (EUR million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| | | | Restated | | | |
| **Revenues (1)** | **1,588** | **1,611** | **1,620** | **1,644** | **6,462** | **1,586** |
| Consumer Business Unit | 577 | 575 | 587 | 581 | 2,321 | 553 |
| Enterprise business unit | 579 | 576 | 560 | 579 | 2,294 | 554 |
| Service Delivery Engine & Wholesale | 78 | 76 | 75 | 76 | 304 | 75 |
| Staff&Support | 9 | 7 | 7 | 11 | 34 | 18 |
| International Carrier Services | 382 | 409 | 424 | 430 | 1,645 | 417 |
| *Intersegment eliminations* | -37 | -34 | -33 | -33 | -137 | -31 |
| **Costs of materials and charges to revenues** | **-614** | **-667** | **-649** | **-680** | **-2,611** | **-637** |
| **Personnel expenses and pensions** | **-278** | **-281** | **-290** | **-278** | **-1,126** | **-290** |
| **Other operating expenses** | **-226** | **-224** | **-217** | **-256** | **-924** | **-218** |
| **EBITDA (1)** | **470** | **438** | **464** | **429** | **1,801** | **441** |
| **Segment EBITDA margin (1)** | **29.6%** | **27.2%** | **28.6%** | **26.1%** | **27.9%** | **27.8%** |
| **Non recurring items** | **0** | **-10** | **-1** | **-4** | **0** | **0** |
| **Ebitda after non-recurring items** | **470** | **428** | **463** | **425** | **1,801** | **441** |

(1) before non-recurring items

## Group from reported to underlying

| | Q112 Restated | Q113 | Var in % |
|---|---|---|---|
| **GROUP - REVENUE** | | | |
| **Reported** | **1,588** | **1,586** | **-0.1%** |
| One-offs | 0 | -11 | |
| M&A | 0 | 0 | |
| **Like-for-like** | **1,588** | **1,575** | **-0.8%** |
| Regulation | | 24 | |
| **Underlying** | **1,588** | **1,599** | **0.7%** |
| **GROUP - EBITDA** | | | |
| **Reported** | **470** | **441** | **-6.1%** |
| One-offs | 0 | -11 | |
| M&A | 0 | 0 | |
| **Like-for-like** | **470** | **430** | **-8.4%** |
| Regulation | | 15 | |
| **Underlying** | **470** | **446** | **-5.2%** |

One-offs: capital gain realised on the sale of a technical building
Regulation: includes impact from lower Mobile Termination and Roaming rates, and other regulatory impacts

## Revenue evolution in percentages

| | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| Reported YoY variance | **0.3%** | **-0.1%** | **1.5%** | **1.7%** | **0.9%** | **-0.1%** |
| Like-for-like YoY variance | 0.1% | 0.8% | 0.4% | 0.7% | 0.5% | -0.8% |
| Underlying YoY variance | 1.0% | 1.8% | 2.7% | 2.1% | 1.9% | 0.7% |
| **CBU** | | | | | | |
| Reported YoY variance | **2.1%** | **-0.7%** | **2.8%** | **1.5%** | **1.4%** | **-4.2%** |
| Like-for-like YoY variance | 0.5% | -0.8% | 0.3% | -1.0% | -0.3% | -4.2% |
| Underlying YoY variance | 1.7% | 0.7% | 2.8% | 0.7% | 1.5% | -3.1% |
| **EBU** | | | | | | |
| Reported YoY variance | **-2.2%** | **-2.9%** | **-2.2%** | **-2.1%** | **-2.3%** | **-4.4%** |
| Like-for-like YoY variance | -1.0% | -0.3% | -2.5% | -2.4% | -1.5% | -4.4% |
| Underlying YoY variance | 0.1% | 0.8% | 1.3% | -0.3% | 0.4% | -1.5% |
| **SDE&W** | | | | | | |
| Reported YoY variance | **-4.3%** | **-4.9%** | **-3.2%** | **-5.0%** | **-4.4%** | **-3.0%** |
| Like-for-like YoY variance | -5.1% | -6.1% | -4.5% | -6.3% | -5.5% | -3.0% |
| Underlying YoY variance | -4.3% | -4.9% | -3.3% | -5.0% | -4.4% | -1.8% |
| **BICS** | | | | | | |
| Reported YoY variance | **2.6%** | **5.5%** | **5.7%** | **7.3%** | **5.3%** | **9.1%** |

Like-for-like: i.e. excluding impact from M&A, the re-segmentation, the new Telco Law accounting adjustments and a capital gain realised on the sale of a technical building in Q1'13

Underlying: i.e. like-for-like excluding impact from regulatory measures

## Group – Capex

| (EUR million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| **Group Capex** | **186** | **174** | **160** | **234** | **753** | **193** |
| Consumer Business Unit | 61 | 33 | 30 | 42 | 164 | 48 |
| Enterprise business unit | 4 | 4 | 3 | 5 | 15 | 3 |
| Service Delivery Engine & Wholesale | 116 | 126 | 114 | 158 | 514 | 134 |
| Staff&Support | 5 | 8 | 8 | 19 | 40 | 2 |
| International Carrier Services | 1 | 3 | 5 | 12 | 20 | 6 |

## CBU – Financials

| (EUR million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| | | | Restated | | | |
| **Revenues** | **577** | **575** | **587** | **581** | **2,321** | **553** |
| **From Fixed** | **274** | **270** | **274** | **277** | **1,096** | **279** |
| Voice | 110 | 105 | 105 | 105 | 425 | 104 |
| Data | 85 | 84 | 85 | 85 | 339 | 87 |
| TV | 55 | 57 | 61 | 62 | 235 | 64 |
| Terminals (excl. TV) | 6 | 6 | 7 | 7 | 25 | 6 |
| Scarlet | 19 | 18 | 17 | 18 | 71 | 17 |
| **From Mobile** | **281** | **282** | **292** | **278** | **1,133** | **255** |
| Voice | 130 | 123 | 133 | 120 | 505 | 100 |
| Data | 97 | 102 | 98 | 100 | 398 | 97 |
| Terminals (excl. TV) | 27 | 29 | 32 | 28 | 116 | 29 |
| Tango | 27 | 28 | 28 | 30 | 114 | 29 |
| **Other** | **22** | **23** | **22** | **25** | **92** | **19** |
| **Costs of materials and charges to revenues** | **-162** | **-182** | **-157** | **-166** | **-666** | **-149** |
| **Personnel expenses and pensions** | **-89** | **-87** | **-91** | **-87** | **-354** | **-88** |
| **Other operating expenses** | **-74** | **-73** | **-77** | **-86** | **-309** | **-68** |
| **Segment result** | **252** | **234** | **263** | **243** | **991** | **248** |
| **Segment Contribution margin** | **43.7%** | **40.6%** | **44.7%** | **41.8%** | **42.7%** | **44.9%** |

## CBU – Operationals

| | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| **FROM FIXED** | | | | | | |
| **Number of access channels (thousands)** | **2,938** | **2,926** | **2,918** | **2,912** | **2,912** | **2,895** |
| Voice | 1,780 | 1,758 | 1,737 | 1,718 | 1,718 | 1,693 |
| Broadband | 1,159 | 1,169 | 1,181 | 1,193 | 1,193 | 1,203 |
| **Traffic (millions of minutes)** | **1,086** | **1,027** | **965** | **1,060** | **4,138** | **1,086** |
| National | 828 | 754 | 703 | 768 | 3,053 | 787 |
| Fixed to Mobile | 164 | 179 | 170 | 187 | 701 | 190 |
| International | 94 | 93 | 92 | 104 | 383 | 110 |
| **TV (thousands)** | **1,254** | **1,301** | **1,340** | **1,386** | **1,386** | **1,412** |
| TV - households | 1,057 | 1,093 | 1,125 | 1,156 | 1,156 | 1,170 |
| of which multiple settop boxes | 196 | 209 | 216 | 230 | 230 | 242 |
| **ARPU (EUR)** | | | | | | |
| ARPU Voice | 20.2 | 19.7 | 19.7 | 20.0 | 19.9 | 20.1 |
| ARPU broadband | 26.9 | 26.4 | 26.5 | 26.1 | 26.5 | 26.3 |
| ARPU Belgacom TV | 17.6 | 17.6 | 18.1 | 18.2 | 17.9 | 18.3 |
| **FROM MOBILE** | | | | | | |
| **Number of active customers (thousands)** | **3,805** | **3,811** | **3,748** | **3,643** | **3,643** | **3,561** |
| Prepaid | 2,116 | 2,071 | 1,992 | 1,923 | 1,923 | 1,815 |
| Postpaid | 1,690 | 1,739 | 1,756 | 1,720 | 1,720 | 1,746 |
| **Annualized churn rate (blended - variance in p.p.)** | **20.4%** | **19.9%** | **25.8%** | **36.0%** | **25.9%** | **33.3%** |
| **Net ARPU (EUR)** | | | | | | |
| Prepaid | 14.0 | 14.2 | 13.6 | 14.4 | 14.0 | 13.3 |
| Postpaid | 27.9 | 27.3 | 28.9 | 26.6 | 27.7 | 24.1 |
| Blended | 20.1 | 20.1 | 20.8 | 20.1 | 20.3 | 18.5 |
| Blended voice | 11.6 | 11.1 | 12.0 | 11.1 | 11.5 | 9.5 |
| Blended data | 8.5 | 9.0 | 8.7 | 9.0 | 8.8 | 9.0 |
| **UoU (units)** | **377.9** | **391.7** | **357.5** | **389.9** | **379.1** | **375.3** |
| **MoU (min)** | **101.5** | **104.7** | **100.5** | **101.7** | **102.1** | **102.2** |
| **SMS (units)** | **279.8** | **291.3** | **262.1** | **294.2** | **281.7** | **279.8** |

## EBU – Financials

| (EUR million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| | | | Restated | | | |
| **Revenue** | **579** | **576** | **560** | **579** | **2,294** | **554** |
| From Fixed | 408 | 409 | 398 | 418 | 1,633 | 406 |
| Voice | 124 | 120 | 118 | 119 | 481 | 118 |
| Data | 99 | 99 | 96 | 95 | 388 | 96 |
| Terminals | 18 | 18 | 18 | 18 | 72 | 18 |
| ICT | 167 | 172 | 167 | 186 | 692 | 174 |
| From Mobile | 166 | 162 | 158 | 155 | 640 | 143 |
| Voice | 106 | 102 | 100 | 96 | 403 | 88 |
| Data | 56 | 58 | 55 | 54 | 223 | 53 |
| Terminals | 3 | 3 | 3 | 5 | 14 | 2 |
| Other | 5 | 5 | 4 | 6 | 21 | 5 |
| **Costs of materials and charges to revenues** | **-149** | **-157** | **-150** | **-163** | **-619** | **-148** |
| **Personnel expenses and pensions** | **-99** | **-102** | **-102** | **-100** | **-402** | **-107** |
| **Other operating expenses** | **-40** | **-39** | **-39** | **-41** | **-160** | **-38** |
| **Segment result** | **291** | **278** | **268** | **276** | **1,113** | **260** |
| **Segment Contribution margin** | **50.2%** | **48.3%** | **48.0%** | **47.6%** | **48.5%** | **47.0%** |
| Mobile Data - detail | 56 | 58 | 55 | 54 | 223 | 53 |
| | | | Adjusted* | | | |
| SMS | 26 | 26 | 25 | 26 | 103 | 25 |
| Advanced data | 31 | 32 | 30 | 28 | 120 | 28 |

*The split between SMS and advanced Mobile Data has been adjusted due to a refinement in the allocation of data bundles. The 2012 results have been adjusted accordingly to keep a correct comparable basis.

## EBU- Operationals

| | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| **FROM FIXED** | | | | | | |
| **Number of access channels (thousands)** | **1,841** | **1,824** | **1,815** | **1,799** | **1,799** | **1,781** |
| Voice | 1,394 | 1,379 | 1,370 | 1,356 | 1,356 | 1,338 |
| Broadband | 446 | 445 | 444 | 443 | 443 | 444 |
| **Traffic (millions of minutes)** | **754** | **699** | **636** | **686** | **2,775** | **695** |
| National | 502 | 459 | 416 | 451 | 1,828 | 457 |
| Fixed to Mobile | 167 | 161 | 147 | 160 | 635 | 161 |
| International | 84 | 79 | 73 | 75 | 311 | 77 |
| **ARPU (EUR)** | | | | | | |
| ARPU Voice | 28.9 | 28.4 | 27.9 | 28.6 | 28.5 | 28.7 |
| ARPU Broadband | 39.5 | 39.0 | 39.1 | 38.8 | 39.1 | 39.0 |
| **FROM MOBILE** | | | | | | |
| **Number of active customers (thousands)** | **1,413** | **1,449** | **1,470** | **1,486** | **1,486** | **1,516** |
| Postpaid | 1,413 | 1,449 | 1,470 | 1,486 | 1,486 | 1,516 |
| **Annualized churn rate (blended - variance in p.p.)** | **11.7%** | **11.0%** | **10.8%** | **16.8%** | **12.7%** | **14.2%** |
| **Net ARPU (EUR)** | | | | | | |
| Postpaid | 38.7 | 37.2 | 35.5 | 33.9 | 36.3 | 31.5 |
| Postpaid voice | 25.3 | 23.7 | 22.9 | 21.6 | 23.3 | 19.7 |
| Postpaid data | 13.5 | 13.5 | 12.6 | 12.2 | 12.9 | 11.8 |
| **UoU (units)** | **375.8** | **377.0** | **339.9** | **366.8** | **364.7** | **360.2** |
| **MoU (min)** | **327.8** | **326.6** | **293.3** | **314.3** | **315.4** | **310.2** |
| **SMS (units)** | **106.6** | **111.7** | **104.7** | **118.1** | **110.3** | **117.7** |

## SDE&W – Financials

| **(EUR million)** | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| | | | Restated | | | |
| **Revenues** | **78** | **76** | **75** | **76** | **304** | **75** |
| **Costs of materials and charges to revenues** | **-9** | **-9** | **-9** | **-10** | **-37** | **-11** |
| **Personnel expenses and pensions** | **-43** | **-43** | **-46** | **-43** | **-174** | **-45** |
| **Other operating expenses** | **-48** | **-50** | **-41** | **-48** | **-187** | **-50** |
| **Segment result** | **-23** | **-26** | **-21** | **-25** | **-94** | **-30** |

## SDE&W – Retail Operationals and MVNO customers

| | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| **FROM FIXED** | | | | | | |
| **Number of access channels (thousands)** | | | | | | |
| Voice (1) | 12 | 11 | 11 | 11 | 11 | 10 |
| Broadband (1) | 1 | 1 | 1 | 1 | 1 | 1 |
| **FROM MOBILE** | | | | | | |
| **Number of active Mobile customers (thousands)** | | | | | | |
| Retail (1) | 8 | 9 | 8 | 8 | 8 | 8 |
| MVNO | 5 | 7 | 8 | 8 | 8 | 5 |

(1) i.e. Belgacom retail products sold via SDE&W (OLO's own usage and reselling)

## S&S – Financials

| (EUR million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| | | | Restated | | | |
| Revenues | 9 | 7 | 7 | 11 | 34 | 18 |
| Costs of materials and charges to revenues | 1 | -1 | 0 | -2 | -2 | 0 |
| Personnel expenses and pensions | -37 | -38 | -40 | -38 | -153 | -40 |
| Other operating expenses | -50 | -50 | -49 | -67 | -217 | -50 |
| Segment result | -78 | -82 | -81 | -96 | -338 | -71 |

## ICS – Financials

| (EUR million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| Revenues | 382 | 409 | 424 | 430 | 1,645 | 417 |
| Costs of materials and charges to revenues | -326 | -347 | -361 | -367 | -1,400 | -355 |
| Personnel expenses and pensions | -10 | -10 | -11 | -11 | -43 | -11 |
| Other operating expenses | -18 | -17 | -17 | -20 | -73 | -16 |
| Segment result | 28 | 34 | 35 | 32 | 129 | 35 |
| Segment EBITDA margin | 7.3% | 8.4% | 8.3% | 7.3% | 7.8% | 8.3% |

## ICS – Operationals

| Volumes (in million) | Q112 | Q212 | Q312 | Q412 | 2012 | Q113 |
|---|---|---|---|---|---|---|
| Voice | 6,907 | 6,984 | 6,934 | 7,556 | 28,382 | 7,267 |
| Non-Voice (SMS/MMS) | 323 | 361 | 428 | 445 | 1,557 | 451 |

# Interim Condensed Consolidated Financial statements

These interim financial statements have not been subject to review by the independent auditor.

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and with IAS 34, Interim Financial Reporting.

The accounting policies and methods of the Group used as of 2013 are consistent with those applied in the 31 December 2012 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Belgacom Group on 1 January 2013 and which are set out in note 39 of the 31 December 2012 consolidated financial statements. This had only very limited impact except for the adoption of the revision of IAS 19 (IAS 19R) on Employee Benefits and more specifically on post-employment benefits. Also, IAS 19R required a retrospective application, meaning that the year 2012 (including the opening balance sheet of 2012) has been restated for 2013 reporting and comparison purposes, as from this first-quarter 2013 release. Where applicable, 2012 figures have been restated in the tables included in this report.
The major changes relate to the recognition of actuarial gains and losses through Other Comprehensive Income (equity) and the alignment of the expected return of assets to the discount rate. Applying the revision, Belgacom classified the net periodic pension cost in operating and financing activities for their respective components. For more information see page 9. During the first quarter of 2013, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate. The Group does not make any significant judgments and estimates other than those mentioned here above or in the 31 December 2012 consolidated financial statements.

# Consolidated income statements

| ( EUR million) | 1st Quarter 2012 Restated | 2013 | % Change |
|---|---|---|---|
| Net revenue | 1,576 | 1,564 | -0.74% |
| Other operating income | 12 | 21 | 76.1% |
| **TOTAL INCOME** | **1,588** | **1,586** | **-0.1%** |
| Costs of materials and services related to revenue | -614 | -637 | 3.7% |
| Personnel expenses and pensions | -278 | -290 | 4.3% |
| Other operating expenses | -226 | -218 | -3.7% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-1,118** | **-1,144** | **2.4%** |
| **OPERATING INCOME before depreciation & amortization** | **470** | **441** | **-6.1%** |
| Depreciation and amortization | -181 | -192 | 5.6% |
| **OPERATING INCOME** | **289** | **250** | **-13.5%** |
| Finance income | 6 | 5 | -9.4% |
| Finance costs | -27 | -25 | -7.5% |
| **Net finance costs** | **-22** | **-20** | **-7.1%** |
| **INCOME BEFORE TAXES** | **267** | **229** | **-14.0%** |
| Tax expense | -65 | -53 | -17.7% |
| **NET INCOME** | **202** | **176** | **-12.8%** |
| Non-controlling interests | 3 | 5 | 63.7% |
| Net income (Group share) | 199 | 171 | -14.0% |
| Basic earnings per share | 0.63 EUR | 0.54 EUR | -14.3% |
| Diluted earnings per share | 0.63 EUR | 0.54 EUR | -14.2% |
| Weighted average number of ordinary shares | 317,704,642 | 318,484,649 | 0.2% |
| Weighted average number of ordinary shares for diluted earnings per share | 318,070,774 | 318,745,309 | 0.2% |

# Consolidated statements of other comprehensive income

| (EUR million) | As of 31 March 2012 Restated | As of 31 March 2013 |
|---|---|---|
| **Net income** | **202** | **176** |
| **Other comprehensive income:** | | |
| Cash flow hedges: | | |
| Gain/(loss) taken to equity | 1 | -1 |
| **Total comprehensive income** | **202** | **175** |
| Attributable to: | | |
| Equity holders of the parent | 199 | 170 |
| Non-controlling interests | 3 | 5 |

# Consolidated balance sheets

| | As of 31 December | As of 31 March |
|---|---|---|
| **(EUR million)** | **2012 Restated** | **2013** |
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | **6,194** | **6,173** |
| Goodwill | 2,339 | 2,339 |
| Intangible assets with finite useful life | 1,097 | 1,095 |
| Property, plant and equipment | 2,467 | 2,470 |
| Investments in associates | 1 | 1 |
| Other participating interests | 7 | 7 |
| Deferred income tax assets | 146 | 138 |
| Pension assets | 2 | 0 |
| Other non-current assets | 134 | 123 |
| **CURRENT ASSETS** | **2,051** | **2,332** |
| Inventories | 133 | 147 |
| Trade receivables | 1,341 | 1,385 |
| Current tax assets | 151 | 148 |
| Other current assets | 141 | 200 |
| Investments | 83 | 87 |
| Cash and cash equivalents | 202 | 365 |
| **TOTAL ASSETS** | **8,245** | **8,505** |
| **LIABILITIES AND EQUITY** | | |
| **EQUITY** | **3,093** | **3,275** |
| **Shareholders' equity** | **2,882** | **3,058** |
| Issued capital | 1,000 | 1,000 |
| Treasury shares | -551 | -545 |
| Restricted reserve | 100 | 100 |
| Available for sale and hedge reserve | 0 | -1 |
| Stock compensation | 14 | 14 |
| Retained earnings | 2,317 | 2,488 |
| Foreign currency translation | 1 | 1 |
| **Non-controlling interests** | **211** | **217** |
| **NON-CURRENT LIABILITIES** | **2,680** | **2,793** |
| Interest-bearing liabilities | 1,761 | 1,897 |
| Liability for pensions, other post-employment benefits and termination benefits | 572 | 548 |
| Provisions | 203 | 203 |
| Deferred income tax liabilities | 143 | 141 |
| Other non-current payables | 1 | 3 |
| **CURRENT LIABILITIES** | **2,472** | **2,437** |
| Interest-bearing liabilities | 215 | 139 |
| Trade payables | 1,310 | 1,293 |
| Tax payables | 236 | 244 |
| Other current payables | 711 | 760 |
| **TOTAL LIABILITIES AND EQUITY** | **8,245** | **8,505** |

# Consolidated cash flow statements

| (EUR million) | 1st Quarter 2012 Restated | 1st Quarter 2013 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net income (group share) | 199 | 171 |
| Adjustments for: | | |
| Non-controlling interests | 3 | 5 |
| Depreciation and amortization on intangible assets and property, plant and equipment | 181 | 192 |
| Increase of provisions | 3 | 0 |
| Deferred tax expense | 6 | 7 |
| Fair value adjustments on financial instruments | -3 | -3 |
| Loans amortization | 1 | 1 |
| Gain on disposal of property, plant and equipment | -2 | -11 |
| Other non-cash movements | 2 | 2 |
| **Operating cash flow before working capital changes** | **391** | **364** |
| Increase in inventories | -17 | -14 |
| Decrease / (increase) in trade receivables | 38 | -44 |
| Decrease in current income tax assets | 1 | 3 |
| Increase in other current assets | -54 | -59 |
| Decrease in trade payables | -81 | -16 |
| Increase in income tax payables | 57 | 8 |
| Increase in other current payables | 78 | 50 |
| Decrease in net liability for pensions, other post-employment benefits and termination benefits | -25 | -21 |
| Decrease in other non-current payables and provisions | -2 | 0 |
| **Increase in working capital, net of acquisitions and disposals of subsidiaries** | **-5** | **-94** |
| **Net cash flow provided by operating activities** | **386** | **271** |
| **Cash flow from investing activities** | | |
| Cash paid for acquisitions of intangible assets and property, plant and equipment | -186 | -193 |
| Cash paid for acquisitions of other participating interests | -4 | 0 |
| Cash paid for acquisition of consolidated companies, net of cash acquired | -21 | 0 |
| Cash received from sales of intangible assets and property, plant and equipment | 4 | 11 |
| **Net cash used in investing activities** | **-207** | **-181** |
| **Cash flow before financing activities** | **179** | **89** |
| **Cash flow from financing activities** | | |
| Dividends paid to shareholders | -2 | -2 |
| Net sale of treasury shares | 4 | 7 |
| Sale / (purchase) of investments | 20 | -4 |
| Increase of shareholders' equity | 0 | -1 |
| Issuance of long term debt | 0 | 149 |
| Repayment of long term debt | 0 | -1 |
| Repayment of short term debt | -5 | -76 |
| **Net cash provided by financing activities** | **16** | **73** |
| **Net increase of cash and cash equivalents** | **195** | **162** |
| Cash and cash equivalents at 1 January | 320 | 202 |
| Cash and cash equivalents at 31 March | 515 | 365 |

# Consolidated statements of changes in equity

| (EUR million) | Issued capital | Treasury shares | Restricted reserve | Available for sale and hedge reserve | Foreign currency translation | Stock Compen-sation | Retained Earnings | Share-holder Equity | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2011** | **1,000** | **-570** | **100** | **0** | **2** | **13** | **2,532** | **3,078** | **225** | **3,303** |
| Net income | 0 | 0 | 0 | 0 | 0 | 0 | 199 | **199** | 3 | 202 |
| **Total comprehensive income and expense** | **0** | **0** | **0** | **0** | **0** | **0** | **199** | **199** | **3** | **202** |
| Treasury shares | | | | | | | | | | |
| Exercise of stock options | 0 | 4 | 0 | 0 | 0 | 0 | 0 | **4** | 0 | 4 |
| Stock options | | | | | | | | | | |
| Amortization deferred stock compensation | 0 | 0 | 0 | 0 | 0 | 1 | 0 | **1** | 0 | 1 |
| **Total transactions with equity holders** | **0** | **4** | **0** | **0** | **0** | **0** | **1** | **5** | **0** | **5** |
| **Balance at 31 March 2012** | **1,000** | **-566** | **100** | **0** | **2** | **13** | **2,731** | **3,282** | **228** | **3,510** |
| **Balance at 31 December 2012** | **1,000** | **-551** | **100** | **0** | **1** | **14** | **2,451** | **3,016** | **212** | **3,228** |
| **Balance at 31 December 2012 - restated** | **1,000** | **-551** | **100** | **0** | **1** | **14** | **2,317** | **2,882** | **211** | **3,093** |
| *Fair value changes in cash flow hedges - acquired during the year* | *0* | *0* | *0* | *-1* | *0* | *0* | *0* | ***-1*** | *0* | *-1* |
| *Currency translation differences* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | ***0*** | *0* | *0* |
| Equity changes not recognised in the income statement | 0 | 0 | 0 | -1 | 0 | 0 | 0 | **-1** | 0 | -1 |
| Net income | 0 | 0 | 0 | 0 | 0 | 0 | 171 | **171** | 5 | 176 |
| **Total comprehensive income and expense** | **0** | **0** | **0** | **-1** | **0** | **0** | **171** | **170** | **5** | **175** |
| Treasury shares | | | | | | | | | | |
| Exercise of stock options | 0 | 7 | 0 | 0 | 0 | 0 | -1 | **6** | 0 | 6 |
| Stock options | | | | | | | | | | |
| Amortization deferred stock compensation | 0 | 0 | 0 | 0 | 0 | 1 | 0 | **1** | 0 | 1 |
| Exercise of stock options | 0 | 0 | 0 | 0 | 0 | -1 | 1 | **0** | 0 | 0 |
| **Total transactions with equity holders** | **0** | **7** | **0** | **0** | **0** | **0** | **0** | **6** | **0** | **6** |
| **Balance at 31 March 2013** | **1,000** | **-545** | **100** | **-1** | **1** | **14** | **2,488** | **3,058** | **217** | **3,275** |

# Segment reporting

## Segment revenue and results

| (EUR million) | Consumer Business Unit | Enterprise Business Unit | Service Delivery Engine & Wholesale | Staff & Support | International Carrier Services | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Three months ended 31 March 2012 Restated | | | | | | |
| Net revenue | 571 | 574 | 62 | 2 | 366 | - | 1,576 |
| Other operating income | 5 | 2 | 0 | 4 | 0 | - | 12 |
| Intersegment income | 1 | 3 | 15 | 3 | 15 | -37 | - |
| **TOTAL SEGMENT INCOME** | **577** | **579** | **78** | **9** | **382** | **-37** | **1,588** |
| Costs of materials and services related to revenue | -162 | -149 | -9 | 1 | -326 | 31 | -614 |
| Personnel expenses and pensions | -89 | -99 | -43 | -37 | -10 | - | -278 |
| Other operating expenses | -74 | -40 | -48 | -50 | -18 | 5 | -226 |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-325** | **-289** | **-100** | **-87** | **-354** | **37** | **-1,118** |
| **TOTAL SEGMENT RESULT (1)** | **252** | **291** | **-23** | **-78** | **28** | **-0** | **470** |
| Depreciation and amortization | -32 | -4 | -108 | -18 | -20 | 0 | -181 |
| **OPERATING INCOME / (LOSS)** | **220** | **287** | **-130** | **-96** | **8** | **-0** | **289** |
| Finance expense (net) | | | | | | | -22 |
| Share of gain/ (loss) on associates | | | | | | | |
| **INCOME BEFORE TAXES** | | | | | | | **267** |
| Tax expense | | | | | | | -65 |
| **NET INCOME** | | | | | | | **202** |
| Non-controlling interests | | | | | | | 3 |
| Net income (Group share) | | | | | | | 199 |

(1) Operating income before depreciation and amortization and before non-recurring income and expenses

| (EUR million) | Consumer Business Unit | Enterprise Business Unit | Service Delivery Engine & Wholesale | Staff & Support | International Carrier Services | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Three months ended 31 March 2013 | | | | | | |
| Net revenue | 547 | 551 | 59 | 2 | 406 | - | 1,564 |
| Other operating income | 5 | 2 | 1 | 14 | 0 | - | 21 |
| Intersegment income | 1 | 1 | 16 | 3 | 11 | -31 | - |
| **TOTAL SEGMENT INCOME** | **553** | **554** | **75** | **18** | **417** | **-31** | **1,586** |
| Costs of materials and services related to revenue | -149 | -148 | -11 | 0 | -355 | 25 | -637 |
| Personnel expenses and pensions | -88 | -107 | -45 | -40 | -11 | 0 | -290 |
| Other operating expenses | -68 | -38 | -50 | -50 | -16 | 5 | -218 |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-305** | **-293** | **-106** | **-90** | **-382** | **31** | **-1,144** |
| **TOTAL SEGMENT RESULT (1)** | **248** | **260** | **-30** | **-71** | **35** | **-0** | **441** |
| Depreciation and amortization | -41 | -3 | -112 | -16 | -20 | 0 | -192 |
| **OPERATING INCOME / (LOSS)** | **208** | **257** | **-142** | **-88** | **15** | **-0** | **250** |
| Finance expense (net) | | | | | | | -20 |
| **INCOME BEFORE TAXES** | | | | | | | **229** |
| Tax expense | | | | | | | -53 |
| **NET INCOME** | | | | | | | **176** |
| Non-controlling interests | | | | | | | 5 |
| Net income (Group share) | | | | | | | 171 |

(1) Operating income before depreciation and amortization and before non-recurring income and expenses

## Other segment information

| (EUR million) | Consumer Business Unit | Enterprise Business Unit | Service Delivery Engine & Wholesale | Staff & Support | International Carrier Services | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Three months ended 31 March 2012 | | | | | | |
| Capital expenditure | 61 | 4 | 116 | 5 | 1 | 0 | **186** |

| (EUR million) | Consumer Business Unit | Enterprise Business Unit | Service Delivery Engine & Wholesale | Staff & Support | International Carrier Services | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Three months ended 31 March 2013 | | | | | | |
| Capital expenditure | 48 | 3 | 134 | 2 | 6 | 0 | **193** |

# Contingent liabilities

Compared to the Consolidated Financial Statements of the year 2012, no changes occurred during 2013 in the contingent liabilities.

# Post balance sheet events

The Annual General meeting of 17 April 2013 approved the dividend distribution for the year 2012 which will impact the cash flow of the Group in the second quarter of 2013 for EUR 535 million.

# Others

There has been no material change to the information disclosed in the most recent annual consolidated financial statements in connection with related parties that would require disclosure under the Financial Reporting Framework

## Definitions

**Fixed Voice access channels:** total Fixed Voice access channels containing PSTN, ISDN and IP lines. For EBU specifically, this also contains the number of Business Trunking lines.

**Trunking lines:** Business Trunking offers a solution for the integration of voice and data traffic on one single data network. At the same time, it allows communication with the traditional switched-voice network (PSTN/ISDN).

**Broadband access channels:** total Broadband access channels containing both ADSL and VDSL lines. For CBU specifically, this also contains the Belgian residential lines of Scarlet.

**Fixed Voice ARPU**: total voice revenue, excluding activation and payphone-related revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.

**Broadband ARPU**: total ADSL revenue, including activation fees, divided by the average number of ADSL lines for the period considered, divided by the number of months in that same period.

**Belgacom TV ARPU:** includes only customer-related revenue and takes into account promotional offers, divided by the number of households with Belgacom TV.

**Mobile active customers**: includes voice and data cards as well as Machine-to-Machine (EBU). Active customers are customers who have made or received at least one call, sent or received at least one SMS message or made at least one data connection in the last three months. Prepaid customers are fully segmented as CBU customers.

**Annualized mobile churn rate:** the total annualized number of SIM cards disconnected from the Belgacom Mobile network (including the total number of port-outs due to mobile number portability) during the given period, divided by the average number of customers for that same period.

**Mobile net ARPU**: calculated on the basis of monthly averages for the period indicated.
Monthly net ARPU is equal to total mobile voice and mobile data revenues, divided by the average number of active mobile customers for that period, divided by the number of months of that same period. This also includes MVNO.

**MoU** (Minutes of Use): duration of all calls from or to Proximus (corrected for intra-network double count), per active voice customer, per month, also including free minutes included in mobile pricing plans and including MVNO.

**OLO**: Other Licensed Operator

**SMS**: number of SMS messages sent or received (corrected for intra-network double count), per active customer per month, also including free SMS included in mobile pricing plans and including MVNO.

**UoU** (Units of Use): voice minutes of use + SMS messages (where one SMS message equals one minute) per active customer per month.

## Financial Calendar

| | |
|---|---|
| 1 July 2013 | Start of quiet period ahead of Q2 results |
| 26 July 2013 | Announcement of Q2 2013 results |
| 30 September 2013 | Start of quiet period ahead of Q3 results |
| 25 October 2013 | Announcement of Q3 2013 results |

## For further information


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